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SUBJECT: Elections Timetable Speculations

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¶1. (SBU) SUMMARY: Despite previous pronouncements suggesting fall elections, many of our interlocutors believe that the current coalition will hold together until after a decision is made regarding Kosovo's final status, with new elections occurring about 45 to 90 days later. Although elections before a Kosovo status determination would probably most benefit a collaborative democratic bloc, some cynics believe that the GOS parties' desire to cash in on key privatizations is among the motivation for the government to hang on. The unwillingness of the opposition Radical Party to push for elections before a status decision also relieves pressure for earlier elections. End Summary.

¶2. (SBU) Conventional wisdom in the analytical community and among many politicians as recently as late May held that the GoS would be best served by timing the announcement of new elections in part to cause pressure on the International Community. The thinking had been that Kostunica would use the threat of political instability and a Radical takeover of the government if a Kosovo status decision was made for independence during a Serbian election campaign. The announcement of MINFIN Dinkic that G-17 Plus would withdraw support from the government if EU SAA talks did not resume by the end of September added to the speculation that a fall announcement of elections might be unavoidable. (note: The last parliamentary elections were held in late 2003, mandating new elections no later than late 2007.)

¶3. (SBU) President Tadic's Democratic Party (DS), meanwhile, has long held that the best chance for Serbia's democratic bloc would be early elections before a status decision that would allow democrats time under a new mandate to recover from the anticipated loss of Kosovo. Sources tell us Tadic proposed to Kostunica a plan that would have the government call for new elections in mid-November, with an election date 45 days thereafter. The plan would rely on the IC delaying a final status decision on Kosovo until late February 2007. Kostunica did not bite.

¶4. (SBU) Meanwhile, however, a new calculus has appeared on the political scene. The GoS hopes its "ICTY Action Plan," presented to the EU on 6/17, will put SAA talks back on track in the near future, even without handing over Mladic. A restart of SAA talks would obviate Dinkic's threat to leave the government and help stabilize the coalition. (Dinkic categorically reaffirmed to the Ambassador recently that the G-17+ will adhere to its pledge to leave the government, absent a resumption of SAA talks.) The Radicals, in turn clearly have no interest in elections before Kosovo is concluded, since obviously they want no part of the responsibility for losing the province.

¶5. (SBU) Many pundits are now highlighting another, very practical, motivator for the GoS to hang together for the next several months: key privatizations. According to this scenario, the GOS seeks to complete privatization of several major state-controlled companies, including the state oil company (NIS), major telecoms interests (notably MOBTEL, the second cellular provider formerly owned by

ousted tycoon Bogoljub Karic), and a few key banking and insurance concerns. Analysts argue that government parties want to enhance party coffers by skimming funds from these lucrative privatizations.

A POST-STATUS ELECTION SCENARIO?

¶6. (SBU) Interlocutors from all major democratic parties have told poloffs recently that the current government -- with its tenuous parliamentary majority -- could not last long after final status talks are concluded. Once a status decision is made, they note, the Radical party will no longer have a reason to stall. DS would try to present itself as the only true alternative to the nationalists. Analysts believe Kostunica will issue his "historical no" on Kosovo and then call for new elections, which legally must occur 45 to 90 days later. The strategy would be to take some of the steam out of Radical arguments about the current government giving up Kosovo and run on a "victimization" platform of having stood firm against the IC on Kosovo.

PREPARING FOR THE CAMPAIGNS

¶7. (SBU) Government parties, including the DS, are doing all they can to position themselves for elections, whenever they occur. MINFIN Dinkic, for example, has recently announced massive increases to both the military budget (up 25 percent compared to last year) and state sector salaries (pledging to raise them as much as 40 percent in some cases. Dinkic also is peddling a EURO 1 billion investment plan, which many view as a vote-getting strategy.

¶8. (SBU) Despite all these preparations, the GOS continues to attempt steps to dissuade the IC from moving ahead quickly on status. Analysts argue that the government's push for a new post-Milosevic constitution is intended to persuade the IC not to undertake any steps on status that could undermine the adoption of such a historic cornerstone of Serbian democracy. In addition, Kostunica's diplomatic odyssey to Contact Group capitals and the UN has heightened expectations in the Serbian public that the IC might

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be willing to compromise on Kosovo's status. Analysts argue that the GOS hopes the IC will be reluctant to "shock" the Serbian electorate in such an atmosphere of heightened expectations.

¶9. (SBU) Comment: Speculation about early elections started nearly as soon as this government took power, but have never gained significant momentum. Today, Kosovo status remains a key factor in arriving at a timetable. Kostunica so far remains as determined to hold on to power as he is to reject Kosovo independence. Unless his government falls earlier due to yet another miscalculation about EU intentions without Mladic action, elections will be next year. What kind of coalitions will enter that political fight has not yet been decided. The hope of many is a democratic critical mass, but whether it can be achieved is far from certain.

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